



**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

**B.A. DEGREE EXAMINATION – ECONOMICS**

FIRST SEMESTER – NOVEMBER 2015

**CO 1102 - ACCOUNTING FOR ECONOMISTS**

Date : 11/11/2015

Dept. No.

Max. : 100 Marks

Time : 01:00-04:00

**PART A**

**Answer all the questions:**

**(10x2=20)**

1. What is financial statement?
2. State the methods of payment of wages.
3. Write the meaning of centralised purchasing.
4. What is ABC analysis?
5. Why is profit and loss appropriation account prepared?
6. State the significance of preparing cash flow statement.
7. Mr. Rahul a worker in a factory is paid on time basis. During the month of October 2010 he has worked for 200 hours. His hourly wage rate is Rs. 100 per hour. Calculate the wages of Mr. Rahul for the month of October 2010.
8. Calculate the economic order quantity from the following particulars: Annual usage: 6,000 units Cost of material per unit: Rs.20.  
Cost of placing and receiving one order: Rs.60. Annual carrying cost of one unit: 10% of inventory value.
9. Find the overtime hours and overtime wages from the following:  
Actual hours worked: 50, Normal working hours: 40 and Normal wage rate : Rs.25 per hour.
10. Calculate P/V ratio from the following particulars: Sales- Rs. 2,00,000, Variable Costs- Rs.1,20,000 and Fixed costs – Rs.40,000.

**PART B**

**Answer any four questions**

**(4x10=40)**

11. Explain the advantages and disadvantages of Cash Flow Statement.
12. What are overheads? How apportionment is different from allocation?
13. What is stores ledger? Distinguish bin cards from stores ledger.
14. Prepare stores ledger account under weighted average method from the following information:  
1<sup>st</sup> July 2010- opening stock 300 unit at Rs. 10 each  
5<sup>th</sup> July- received 200 units at Rs. 12 each  
6<sup>th</sup> July – received 400 units at Rs.11 each.  
10<sup>th</sup> July- issued 250 units  
14<sup>th</sup> July - issued 150 units  
18<sup>th</sup> July – received 200 units at Rs. 14 each.  
19<sup>th</sup> July – issued 300 units.  
20<sup>th</sup> July – received 300 units at Rs. 15each.  
25<sup>th</sup> July- received 100 units at Rs. 16 each  
28<sup>th</sup> July- issued 300 units

15. Standard time allowed for a job is 100 hours. The hourly rate of wage is Rs. 40 per hour worked. The actual time taken by the worker was 80 hours. Calculate the total wages on:
- (a) Time basis, (b) Halsey premium basis, (c) Halsey weir plan and (d) Rowan's bonus plan.
16. Two components A and B are used as follows:  
 Re ordering quantity: A- 1200 units, B- 1,000 units, Re ordering period: A- 2 to 4 weeks, B -3 to 6 weeks, Normal usage : 300 units per week each, Minimum Usage: 150 units per week each and Maximum Usage: 450 units per week each. You are required to calculate the following for each of the components. (a) Re order level, (b) Maximum level, (c) Minimum level (d) Average stock level.
17. The sales turnover and profit during two years are as follows:

| Year | Sales (Rs.) | Profit (Rs.) |
|------|-------------|--------------|
| 2006 | 1,40,000    | 15,000       |
| 2007 | 1,60,000    | 20,000       |

Calculate:

- (a) P/V ratio.  
 (b) Breakeven point.  
 (c) Sales required to earn a profit of Rs.40, 000.  
 (d) Fixed expenses and  
 (e) Profit when sales are Rs.1,20,000.

### PART C

Answer any two questions:

(2x20=40)

18. Big Bull Ltd. has a nominal capital of Rs. 6,00,000 divided into shares of Rs.10 each. The following trial balance is extracted from the books of the company as on 31.12.2007.

| Particulars                            | Rs.              | Particulars               | Rs.              |
|--|------------------|---------------------------|------------------|
| Calls in arrear                        | 7,500            | 6% Debentures             | 3,00,000         |
| Premises (Rs.60,000 added on 1.7.2007) | 3,60,000         | P&L A/c (1.1.2007)        | 14,500           |
| Machinery                              | 3,00,000         | Creditors                 | 50,000           |
| Interim dividend paid                  | 7,500            | Share capital (called up) | 4,60,000         |
| Purchases                              | 1,85,000         | Bills payable             | 38,000           |
| Preliminary expenses                   | 5,000            | Sales                     | 4,15,000         |
| Freight                                | 13,100           | Provision for bad debts   | 3,500            |
| Directors fees                         | 5,740            | General reserve           | 25,000           |
| Bad debts                              | 2,110            |                           |                  |
| 4% Government securities               | 60,000           |                           |                  |
| Stock (1.1.2007)                       | 75,000           |                           |                  |
| Furniture                              | 7,200            |                           |                  |
| Sundry debtors                         | 87,000           |                           |                  |
| Goodwill                               | 25,000           |                           |                  |
| Cash                                   | 750              |                           |                  |
| Bank                                   | 39,900           |                           |                  |
| Wages                                  | 84,800           |                           |                  |
| General expenses                       | 16,900           |                           |                  |
| Salaries                               | 14,500           |                           |                  |
| Debenture interest                     | 9,000            |                           |                  |
| <b>Total</b>                           | <b>13,06,000</b> | <b>Total</b>              | <b>13,06,000</b> |

Prepare final accounts of the company for the year ending 31.12.2007 in the prescribed form after taking into account the following adjustments:

- (a) Depreciate machinery by 10% and furniture by 5%.
- (b) Write off preliminary expenses.
- (c) Wages include Rs.10,000 paid for the construction of a compound wall to the premises and no adjustment was made.
- (d) Provide 5% for bad debt on sundry debtors.
- (e) Transfer Rs.10,000 to general reserve.
- (f) Provide for income tax Rs.25,000.
- (g) Stock on 31.12.2007 was Rs.1,01,000.

19. Radan manufacturers Ltd, have three production departments A,B,C and two service departments P and Q, the details pertaining to which are as under:

| Particulars            | A      | B      | C      | P     | Q     |
|------------------------|--------|--------|--------|-------|-------|
| Direct wages           | 12,000 | 8,000  | 12,000 | 6,000 | 2,000 |
| Value of machine (Rs.) | 48,000 | 64,000 | 80,000 | 4,000 | 4,000 |
| H.P. of machine        | 60     | 30     | 50     | 10    | -     |
| Light points           | 40     | 60     | 80     | 40    | 20    |
| Floor area ( Sq. feet) | 1,000  | 1,250  | 1,500  | 1,000 | 250   |

The following figures extracted from the accounting records are relevant: Rent Rs.15,000, Municipal taxes Rs.5,000, Electricity Rs.2,400, Indirect wages Rs. 6,000, Power Rs.6,000, Depreciation on machines Rs.40,000 , Canteen expenses Rs.30,000 and Other labour related costs Rs.10,000. The expenses of service departments are allocated as under:

| Particulars | A   | B   | C   | P   | Q   |
|-------------|-----|-----|-----|-----|-----|
| P           | 20% | 30% | 40% | -   | 10% |
| Q           | 40% | 20% | 30% | 10% | -   |

Calculate the total overheads of the three production department.

20. From the following balance sheet as on 31<sup>st</sup> December, 2007 and 31<sup>st</sup> December 2008, you are required to prepare a Cash Flow Statement:

| Liabilities                  | 2007 (Rs.)      | 2008(Rs.)       | Assets       | 2007(Rs.)       | 2008(Rs.)       |
|------------------------------|-----------------|-----------------|--------------|-----------------|-----------------|
| Share capital :              | 70,000          | 74,000          | Bank balance | 9,000           | 7,800           |
| Bonds                        | 12,000          | 6,000           | Goodwill     | 10,000          | 5,000           |
| Reserves & Surplus           | 10,040          | 10,560          | Inventories  | 49,200          | 42,700          |
| Provision for doubtful debts | 700             | 800             | Debtors      | 14,900          | 17,700          |
| Sundry creditors             | 10,360          | 11,840          | Land         | 20,000          | 30,000          |
| <b>Total</b>                 | <b>1,03,100</b> | <b>1,03,200</b> | <b>Total</b> | <b>1,03,100</b> | <b>1,03,200</b> |

Following additional information has been supplied to you:

- (a) Dividends amounting to Rs.3, 500 were paid during the year 2007.
- (b) Land was purchased for Rs. 10,000.
- (c) Rs.5, 000 were written off on goodwill during the year.
- (d) Bonds of Rs.6, 000 were paid during the course of the year.

21. What is marginal costing? Explain the advantages and disadvantages of marginal costing.

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